Your Insured Funds

Your savings federally insured to $100,000

NCUA

National Credit Union Administration, a U.S. Government Agency

NATIONAL CREDIT UNION ADMINISTRATION

FOREWORD

The purpose of this booklet is to help you understand your share insurance protection. The National Credit Union Administration (NCUA) is an independent agency of the United States Government. NCUA regulates, charters, and insures the nation' s federal credit unions. In addition, NCUA insures state chartered credit unions which desire and qualify for federal insurance. In some states, state chartered credit unions are required by state law to be federally insured.

The shares in your credit union arc insured by the National Credit Union Share Insurance Fund (NCUSIF) or the Fund, an arm of NCUA. Established by Congress in 1970 to insure member share accounts at federally insured credit unions, the Fund is managed by NCUA under the direction of the three person NCUA Board.

Your share insurance is similar to deposit insurance provided by the Federal Deposit Insurance Corpora tion (FDIC). Share accounts in federally insured credit unions are insured up to $100,000, an amount equal to the insurance protection offered by the FDIC. Generally, if a credit union member has more than one account in the same insured credit union, those accounts are added together and are insured up to $100,000. There are exceptions, however. If a member has a regular share account and an Individual Retirement Account in the same credit union, for example. each account is insured up to $100,000. This brochure gives a more detailed explanation of insurance coverage.

Credit unions which are insured by the National Credit Union Share Insurance Fund must display, in their offices, the official NCUA insurance sign which appears on the cover of this brochure. All federal credit unions must be insured by NCUA, and no credit union may terminate its federal insurance without first notifying its members.

Here are some important facts to remember about your share insurance:

Not one penny of insured savings has ever been lost by a member of a federally insured credit union. The federal insurance fund has several programs to help insured credit unions which may be experiencing problems, and liquidations or failures are usually done only as a last resort. If a federally insured credit union does fail, however, the NCUSIF will make any necessary payouts to the credit union's members. These payouts are usually done within 2 days from the time the credit union closes its doors.

Insured credit unions are required to deposit and maintain one percent of their insured shares and deposits in the NCUSIF. **The Fund is currently at the strongest and best reserved level in its history.** Historically, deposit insurance funds strive for a ratio of equity to insured savings of at least one percent. The NCUSIF ratio of equity to insured shares and deposits ranges from 1.23 percent to 1.30 percent.

As a member of an insured credit union, **you do not pay directly for your share insurance protection.** Your credit union pays into the NCUSIF a deposit, and an insurance assessment, based on the total amount of insured shares and deposits in the credit union.

QUESTIONS MOST FREQUENTLY ASKED ABOUT THE NATIONAL CREDIT UNION SHARE INSURANCE FUND

1. **Which credit unions are insured by NCUSIF?**

NCUSIF insures member shares in all federal credit unions (FCU) and those federally insured state chartered credit unions (FISCU) that apply for and meet the insurance standards. Insured credit unions are required to indicate their insured status in their advertising and to display the official NCUSIF insurance sign at their offices, Some state credit unions are insured by private insurance or guaranty corporations which are separate and apart from NCUSIF.

2. How does NCUSIF share insurance protect credit union members against loss?

Each credit union approved for NCUSIF share insurance must meet high standards of safety and soundness in its operation. Adherence to these standards is determined regularly through credit union examinations by federal and state examiners. If an insured credit union gets into financial difficulties and must be closed, the NCUSIF acts immediately to protect each member’s share account.

3. Does NCUSIF share insurance protection apply only if a credit union is liquidated?

No. Liquidation is the only situation in which a member is directly provided share insurance protec tion by the payme nt of a check for his or her insured savings. However, indirect protection is provided when the NCUA Board, through the NCUSIF, authorizes financial assistance to a credit union to enable it to overcome a temporary financial setback. In a case where a credit union is unable to overcome its difficulty, financial assistance may be authorized to accomplish a mercer that protects the continuing credit union from loss and provides continued credit union service to the members of the merging, credit union.

4. How does NCUSIF pay members their shares when an insured credit union is liquidated?

Checks for each member's shares (less any amounts due on outstanding loans) up to the insurance limit are mailed to the member's last known address as shown in the records of the credit union. These checks are usually mailed several days after the credit union is placed into liquidation. In situations where on-site payment is more convenient, the NCUA liquidation team will give checks directly to members.

5. What happens to the members share account when an insured credit union is merged into another insured credit union?

Each member's share account is transferred to the continuing credit union. Accrued dividend credit is also transferred. On the effective date of the merger, each merging credit union member has full member ship rights to all the financial services provided by the continuing credit union.

6. Does NCUSIF share insurance protect the interest of creditors?

No. NCUSIF share insurance protects only credit union members.

SHARE INSURANCE COVERAGE

7. What is the basic NCUSIF share insurance coverage?

The basic insured amount for a credit union member under current law is **$100,000.** Share accounts maintained in different rights or capacities, or forms of ownership, may each be separately insured up to **$100,000.** Thus, a member may hold or have an interest in more than one separately insured share account in the same insured credit union.

8. What types of accounts are insured?

All types of member share accounts and deposits received by the credit union in its usual course of business, including regular shares, share certificates, and share draft accounts are insured. Investment products offered by a credit union to its members, such as mutual funds, annuities, and other non deposit investments are not insured by the NCUSIF.

9. Is NCUSIF share insurance coverage increased by placing funds in two or more types of share accounts in the same credit union?

No. NCUSIF share insurance is not increased merely by dividing funds owned in the same right and capacity among the types of share accounts available. For example, a regular share and a share draft account owned by the same member are added together and insured up to $100,000.

10. If a member has accounts in several different insured credit unions, will the accounts be added together for the purpose of insurance coverage?

No. The maximum insurance of $100,000 is appli cable to share accounts in each insured credit union. A member who has share accounts in two or more different insured credit unions would have up to $100,000 insurance in each credit union. In the case of a credit union having one or more branches, the main office and all branch offices are considered as one credit union.

NCUSIF INSURANCE OF INDIVIDUAL AND JOINT ACCOUNTS

11. If a member has more than one individual account in the same insured credit union is each account insured to $100,000?

No. Individual share accounts held by the same member are added together and are insured up to **$100,000.** An individual share account is an account solely owned by one individual without the right of withdrawal by another individual. IRA, Keogh, and Deferred Compensation accounts are insured separately up to **$100,000**. See the section on NCUSIF Insurance of Special Accounts for more details.

12. What types of joint accounts may be insured?

NCUSIF share insurance covers joint accounts owned in any manner conforming with applicable state law such as joint tenants with a right of survivorship, tenants by the entireties, tenants in common, or an account owned by a husband and wife as community property in states recognizing this particular form of joint ownership.

13. If two or more persons, such as husband and wife, have a joint account in the same credit union as well as their own individual accounts is each account separately insured?

Yes. Joint accounts are insured separately from individual accounts up to a maximum of $100,000, provided that each of the co-owners has personally signed an account signature card and has a right of withdrawal on the same basis as the other co-owners (if state law limits a minor's right of withdrawal, the account will still be insured as a joint account). However, the insurance protection on joint accounts Is not increased by rearranging the names of the owners, changing the style of names, or by establishing more than one joint account for the same combination of owners in the same insured credit union. A joint share account shall in no case be entitled to insurance coverage in excess of $100,000.

14. Is the answer to question 13 the same if funds in the individual and joint accounts of husband and wife all consist of community property?

Yes. In those jurisdictions recognizing community property, community funds may be maintained in accounts in the individual names of each spouse or a joint account in the names of both. Each account is separately insured up to a maximum of $100,000.

15. If a person has an interest in more than one joint account, what is the extent of the insurance coverage?

A person holding an interest in more than one joint account may receive a maximum of $100,000 insurance coverage on the total of his/her interests in those joint accounts. Actual coverage is determined as follows. Step 1 - All joint accounts owned by the same combination of individuals arc added to.-ether and are insured up to $100,000. Step 2 - The person's insured interests in each remaining joint account (those owned by different combinations of individu als) are added tog ether and insured to $100,000 less the person's interest under Step 1. For example, assume that H and W own a joint account containing $110,000 and H and C own a joint account containing $35,000. The $110,000 account owned by H and W is insured only to $100,000 leaving $10,000 uninsured. Since the interests of the co-owners of a joint account ire deemed equal for insurance purposes (except in the case of a tenancy in common if unequal interests are shown on the account records of the credit union), the $100,000 insured amount of the $110,000 account is prorated equally between H and W giving each an insured interest of $50,000. The $35,000 in the other account is prorated equally between H and C -giving a $17,500 insured interest in that account. Thus, H has a total insured interest of $67,500 in the two accounts, and W and C have insured interests of $50,000 and $17,500, respectively. Since no person’s-son's total insured interest in joint accounts exceeds the $100,000 limit, the two accounts totaling- $145,000 are entitled to $135,000 in insurance, representing the sum of the total insured interest of each co-owner. The remaining $10,000 is uninsured.

The following illustrations show how typical families may use multiple ownership of accounts to increase the insurance coverage for family funds. In all cases, the accounts illustrated must meet the share insurance coverage requirements as published in the code of Federal Regulations (12 C.F.R. 745).

Family of Two

Individual Accounts	Husband	Individual	$100,000
	Wife	Individual	$100,000
Joint Tenancy Accounts	Husband & Wife (Joint)		$100,000
Testamentary Revocable Trust Accounts	Husband as Trustee for Wife		$100,000
	Wife as Trustee for Husband		$100,000
		Total	$500,000

Family of Three

Individual Accounts	Husband	Individual	$100,000
	Wife	Individual	$100,000
	Child	Individual	$100,000
Joint Tenancy Accounts	Husband & Wife (Joint)		$100,000
	Husband & Child (Joint)		$100,000
	Wife & Child (Joint)		$100,000
Testamentary Revocable Trust Accounts (for Spouse-Child-Grandchild)	Husband as Trustee for Wife		$100,000
	Husband as Trustee for Child		$100,000
	Wife as Trustee for Husband		$100,000
	Wife as Trustee for Child		$100,000
		Total	$1,000,000

Family of Four

Individual Accounts	Husband	Individual	$100,000
	Wife	Individual	$100,000
	Child #1	Individual	$100,000
	Child #2	Individual	$100,000
Joint Tenancy Accounts	Husband & Wife (Joint)		$100,000
	Husband & Child #1 (Joint)		$100,000
	Wife & Child #1 (Joint)		$100,000
	Child #1 & Child #2 (Joint)		$100,000
Testamentary Revocable Trust Accounts (for Spouse-Child-Grandchild)	Husband as Trustee for Wife		$100,000
	Wife as Trustee for Husband		$100,000
	Husband as Trustee for Child #1		$100,000
	Husband as Trustee for Child #2		$100,000
	Wife as Trustee for Child #1		$100,000
	Wife as Trustee for Child #2		$100,000
		Total	$1,400,000

NCUSIF INSURANCE OF SPECIAL ACCOUNTS

16. What is the insurance coverage on a trust account held under the provisions of an irrevocable express trust?

The trust interest of a beneficiary in a valid irrevo cable trust, if capable of evaluation in accordance with published rules, is insured up to $100,000 sepa - rately from the individual accounts of the settlor (grantor), trustee, or the beneficiary. Either the settlor or the beneficiary must be a member to obtain insurance benefits. All trust interests created by the same settlor (grantor) in the same credit union for the same beneficiary will be added together and insured in the aggregate to the maximum of $100,000.

17. What is the insurance coverage on a revocable trust account, a tentative or "Totten" trust account, or a payable-on-death" account?

These accounts, or any similar accounts which evidence an intention that the funds shall pass on the death of the owner to a named beneficiary , are considered testamentary accounts and are insured as a form of individual account. If the beneficiary is a spouse, child, or grandchild of the owner, the funds in such accounts are insured for the owner up to a total of $100,000 for each such beneficiary separately from any other individual accounts of the owner. If the beneficiary is other than a spouse, child, or Grandchild of the owner, the funds in the account are, for insurance purposes, added to any other individual accounts of the owner and insured to a total of $100,000. In the case of a revocable trust account, the person who holds the power of revocation is deemed to be the owner of the funds in the account.

18. Is the interest in a pension or profit sharing account insured any differently than a member’s individual account?

Yes. For insurance purposes, pension and profit sharing- accounts are considered to be trust accounts. The ascertainable interest of each participant (if a member of the credit union) in such account is insured to $100,000 separately from other accounts of the member.

19. May a person receive separate insurance on each of several pension or profit sharing plans established by the member’s employer with the same credit union?

No. Except as provided below with respect to Individual Retirement Accounts (IRA), Keogh, and Deferred Compensation accounts, if two or more pension plans, or a profit sharing and a pension plan, are established by an employer for the ,same individual who is a member of the credit union, the beneficiary's interest in the two accounts will be added together and insured up to $100,000.

20. What insurance coverage is provided for IRA, Keogh and Deferred Compensation accounts?

IRA, Keogh, and Deferred Compensation accounts are insured separately to $100,000 from other accounts that the member maintains in the same credit union.

21. Are accounts held by a person as executor, administrator, guardian, custodian, or in some other similar fiduciary capacity insured separately from his individual account?

Yes. If the records of the credit union indicate that the person is depositing the funds in a fiduciary capacity, such funds would be separately insured from the fiduciary's individually owned account. Funds in accounts held by guardians, conservators, or custodi ans (whether court-appointed or not) are also insured separately from other accounts of the ward.

22. When an account is designated as held by a person as agent for the true owner of the funds, how is the account insured?

The account is insured as an account of the principal or true owner. The funds in the account are added to any other member account owned by the true owner and the total is insured up to a maximum of $100,000.

23. Is an account held by a corporation, partnership, or unincorporated association insured separately from he individual accounts of the stockholders, partners, or members?

Yes. If the corporation, partnership, or unincorporated association has obtained membership in the credit union and is engaged in an independent activity, its account is separately insured to a total of $100,000. The term "independent activity" means an activity other than one directed solely at increasing insurance coverage.

OTHER QUESTIONS

24. Can a federal credit union terminate its NCUSIF share insurance?

No. A federal credit union cannot be chartered or retain its charter unless it is insured by NCUSIF.

25. Can a state credit union terminate its NCUSIF share insurance?

Yes. A state-chartered credit union can terminate its NCUSIF share insurance, but it must obtain the approval of its members and the NCUA Board. When a state credit union converts its NCUSIF share insurance to another- licensed share insurance program, NCUSIF share insurance terminates upon conversion. If the state credit union does not provide for another share insurance program, NCUSIF share insurance remains in effect for one year following the effective date of termination, but coverage may be reduced depending upon account activity during the one year period.

26. What publications covering the operations of the NCUSIF are available?

NCUA publishes an Annual Report which covers the operations of the NCUSIF. This report is sent to each insured credit union and is also available from each regional director. The report includes financial statements and an independent audit of the Fund's records.

27. What happens to insured funds that are not claimed by the member at a liquidation payout?

All unclaimed shares are mailed to the department which collects unclaimed funds in the state of the member's last address of record. All such accounts arc remitted within the 18-month insurance period so that a member can receive his or her full insured shares balance as provided by each state's unclaimed property law.

28. Where does a credit union member go for information about his credit union or specific questions about NCUSIF share insurance?

The member should first contact the credit union for the needed information. Credit union personnel, however, cannot bind the NCUSIF to provide more protection than is allowed under the Federal Credit Union Act or NCUA Regulations. They will be able to obtain information for you from NCUA. If the credit union cannot provide the information or is no longer in operation, the member should contact the appropriate regional director directly. The address of each regional director and the states in which he has supervisory jurisdiction are listed in the back of this brochure.

APPENDIX

EXAMPLES OF INSURANCE COVERAGE AFFORDED ACCOUNTS IN CREDIT UNIONS INSURED BY THE NATIONAL CREDIT UNION SHARE INSURANCE FUND

The following examples illustrate insurance coverage on accounts maintained in the same federally insured credit union. They are intended to cover various types of ownership interests and combinations of accounts which may occur in connection with funds invested in insured credit unions. The examples, as well as the rules which they interpret, are predicated upon the assumption that, (1) invested funds are actually owned in the manner indicated on the credit union's records and (2) the owner of funds in an account is a credit union member or otherwise eligible to maintain an insured account in a credit union. If available evidence shows that ownership is different from that on the institution's records, the Fund may pay claims for insured accounts on the basis of actual rather than ostensible ownership. Further, the examples and the rules which they interpret do not extend insurance coverage to persons otherwise not entitled to maintain an insured account or to account relationships that have not been approved by the NCUA Board as an insured account.

A. SINGLE OWNERSHIP ACCOUNTS

All funds owned by an individual member (or, in a community property state, by the husband-wife community of which the individual is a member) and invested by the member in one or more individual accounts are added together and insured to the $100,000 maximum. This is true whether the accounts are maintained in the name of the individual member owning the funds, in the name of the member's agent or nominee, or in a custodial loan account on behalf of the member as a borrower. All such accounts are added together and insured as one individual account. Funds held in one or more accounts in the name of a guardian, custodian, or conservator for the benefit of a ward or minor are added together and insured up to $100,000. However, such an account or accounts will not be added to any other individual accounts of the guardian, custodian, conservator, ward, or minor for purposes of determining insurance coverage.

Example 1

Question: Members A and B, husband and wife, each maintain an individual account containing $100,000. In addition, they hold a joint account containing $100,000. What is the insurance coverage?

Answer: Each account is separately insured up to $100,000 for a total coverage of $300,000. The coverage would be the same whether the individual accounts contain funds owned as community property or as individual property of the spouses.

Example 2

Question: Members H and W, husband and wife, reside in a community property state. H maintains a $100,000 account consisting of his separately-owned funds and invests $10*0,000* of community property funds in another account, both of which are in his name alone. What is the insurance coverage?

Answer: The two accounts are added together and insured to at total of $100,000. $100,000 is uninsured .

Example 3

Question: Member A has $92,500 invested in an individual account, and his agent, Member **B** invests $25,000 of A's funds in a properly designated agency account. B also holds a $100,000 individual account. What is the insurance coverage?

Answer: A's individual account and the agency account are added together and insured to the $100,000 maximum, leaving $17,500 uninsured. The investment of funds through an agent does not result in additional insurance coverage for the principal. B's individual account is insured separately from the agency account. However, if the account records of the credit union do not show the agency relationship under which the funds in the $25,000 account are held, the $25,000 in B's name could, at the option of the NCUSIF, be added to his individual account and insured to $100,000 in the aggregate, leaving $25,000 uninsured.

Example 4

Question: Member A holds a $100,000 individual account. Member B holds two accounts in his own name, the first containing $25,000 and the second containing $92,500. In processing the claims for payment of insurance on these accounts, the NCUSIF discovers that the funds in the $25,000 account actually belong to A and that B had invested these funds as agent for A, his undisclosed principal. What is the insurance coverage?

Answer: Since the available evidence shows that A is the actual owner of the funds in the $25,000 account, those funds would be added to the $100,000 individual account held by A (rather than to B's $92,500 account) and insured to the $100,000 maximum, leaving $25,000 uninsured. B's $92,500 individual account would be separately insured.

Example 5

Question: Member C, a minor, maintains an individual account of $750. C's grandfather makes a gift to him of $100,000, which is invested in another account by C's father, designated on the credit union's records as custodian under a Uniform Gifts to Minors Act. C's father, also a member, maintains an individual account of $100,000. What is the insurance coverage?

Answer: C's individual account and the custodianship account held for him by his father are each separately insured; the $] 00,000 maximum on the custodian account, and $750 on the individual account. The individual account held by C's father is also separately insured to the $100,000 maximum.

Example 6

Question: Member G, a court appointed guardian, invests in a properly designated account $100,000 of funds in his custody which belong to member W, his ward. W and G each maintain $25,000 individual accounts. What is the insurance coverage?

Answer: W's individual account and the guardianship account in G's name are each insured to $100,000 providing W with $125,000 in insured funds. G's individual account is also separately insured.

Example 7

Question: X Credit Union acts as a servicer of FHA, VA, and conventional mortgage loans made to its members, but sold to other parties. Each month X receives loan payments for remittance to the other parties from approximately 2,000 member mortgagors. The monies received each month total $1,000,000 and are maintained in a custodial loan account. What is the insurance coverage?

Answer: X Credit Union acts as custodian for the 2,000 individual mortgagors. The interest of each mortgagor is separately insured as his individual account (but added to any other individual accounts which the mortgagor holds in the credit union).

B. TESTAMENTARY ACCOUNTS

The terms "testamentary account" refers to a revo cable trust account, tentative or Totten trust account, "payable-on-death" account, or any similar account which evidences an intention that the funds shall pass on the death of the owner of the funds to a named beneficiary. If the beneficiary is a spouse, child, or grandchild of the owner, the funds in all such accounts are insured for the owner up to $100,000 in the aggregate as to each such beneficiary, separately from any other individual accounts of the owner. If the beneficiary of such an account is other than a spouse, child, or grandchild of the owner, the funds in the account are, for insurance purposes, added to any other individual accounts of the owner and insured up to $100,000 in the aggregate. In the case of a revocable trust account, the person who holds the power of revocation is deemed to be the owner of the funds in the account. If a revocable trust account is held in the name of a fiduciary other than the owner of the funds, any other accounts held by the fiduciary are insured separately from such revocable trust account.

Example 1

Question: Member H invests $200,000 in a revocable trust account with his son, S, and his daughter, D, as named beneficiaries. What is the insurance coverage?

Answer: Since S and D are children of H, the owner of the account, the funds are insured up to $100,000 as to each beneficiary. Assuming that S and D have equal beneficial interests ($100,000 each), H is fully insured for this account.

Example 2

Question: Member H invests $100,000 in each of four "payable-on-death" accounts, Under the terms of each account contract, H has the right to withdraw any or all of the funds in the account at any time. Any funds remaining in the account at the time of H's death are to be paid to a named beneficiary. The respective beneficiaries of the four accounts are H's wife, his mother, his brother, and his son. H also holds an individual account containing $100,000. What is the insurance coverage?

Answer: The accounts payable on death **to** H's wife and son are each separately insured to the $100,000 maximum. The accounts payable to H's mother and brother are added to H's individual account and insured to $100,000 in the aggregate, leaving $200,000 uninsured.

Example 3

Question: Members H and W jointly invest in a "payable-on-death" account for the benefit of their son, S, and daughter, D. The account is held by H and W with right of survivorship. What is the maximum insurance coverage available on the account?

Answer: Since S and D are the children of H and W, the account will be insured up to $100,000 as to each beneficiary separately from any accounts of the owners, H and W. H would be entitled to $100,000 insurance for S and $100,000 for D. W would be entitled to the same coverage for a total of $400,000 on the account. However, upon the death of either H or W, insurance coverage would be reduced to $200,000.

C. ACCOUNTS HELD BY EXECUTORS OR ADMINISTRATORS

All funds belonging to a decedent and invested in one or more accounts, whether held in the name of the decedent or in the name of his executor or administra- tor, are added together and insured to the S I 00,000 maximum. Such funds are insured separately from the individual accounts of any of the beneficiaries of the estate or of the executor or administrator.

Example 1

Question: Member A, administrator of Member D's estate, sells D's automobile and invests the proceeds of $12,500 in an account entitled "Administrator of the estate of D." A has an individual account in that same credit union containing $]00,000. Prior to his death, D had opened an individual account of $100,000. What is the insurance coverage?

Answer: The $12,500 is added to D's individual account and insured to $100,000, leaving $12,500 uninsured. A's individual account is separately insured for $100,000.

D. ACCOUNTS HELD BY A CORPORATION, PARTNERSHIP OR UNINCORPORATED ASSOCIATION

All funds invested in an account or accounts by a corporation, a partnership, or an unincorporated association engaged in any independent activity are added together and insured to the $100,000 maximum. The term "independent activity" means any activity other than the one directed solely at increasing coverage. If the corporation, partnership, or unincorporated association is not engaged in an independent) activity, any account held by the entity is insured as if owned by the persons owning or comprising the entity, and the imputed interest of each such person is added, for insurance purposes, to any individual account which he maintains.

Example 1

Question: Member X Corporation maintains a $100,000 account. The stock of the corporation is owned by members A, B, C, and D in equal shares. Each of these stockholders also maintains an indi vidual account of $100,000 with the same credit union. What is the insurance coverage?

Answer: Each of the five accounts would be separately insured to $100,000 if the corporation is engaged in an independent activity and has not been established merely for the purpose of increasing insurance coverage. The same would be true if the business were operated as a bona fide partnership instead of as a corporation. However, if X corporation was not engaged in an independent activity, then $25,000 (1/4 interest) would be added to each account of A, B, C, and D. The accounts of A, B, C, and D would then each be insured to $100,000, leaving $25,000 in each account uninsured.

Example 2

Question: Member C College maintains three separate accounts with the same credit union under the titles: "General Operating Fund, " "Teachers Salaries," and "Building Fund" What is the insurance coverage?

Answer: Since all of the funds are the property of the coverage, the three accounts are added together and insured only to the $100,000 maximum.

Example 3

Question: The men’s club of X Church carries on various social activities in addition to holding se era] v fund-raising campaigns for the church each year. The club is supported by membership dues. Both the club and X Church maintain member accounts in the same credit union. What is the insurance coverage?

Answer: The men’s club is an unincorporated association engaged in an independent activity. If the club funds are, in fact, legally owned by the club itself and not the church, each account is separately insured to the $100,000 maximum.

Example 4

Question: The PQR Union, a member of the ABC Federal Credit Union, has three locals in a certain city. Each of the locals maintains an account containing funds belonging to the parent organization. All three accounts are in the same insured credit union. What is the insurance coverage?

Answer: The three accounts are added together and insured up to the $100,000 maximum.

E. PUBLIC UNIT ACCOUNTS

For insurance purposes, the official custodian of funds belonging to a public unit, rather than the public unit itself, is insured as the account-holder. All funds belonging to a public unit and invested by the same custodian in an insured credit union are added together and insured to the $100,000 maximum, regardless of the number of accounts involved and regardless of whether the funds are invested in accounts located in or outside the state. If there is more than one official custodian for the same public unit, the funds invested by each custodian are separately insured up to $100,000. If the same person is custodian of funds for more than one public unit, he is separately insured to $100,000 with respect to the funds of each unit held by him in properly designated account. The maximum coverage for an official custodian of funds of the United States would be $100,000.

For insurance purposes, a "political subdivision" is entitled to the same insurance coverage as any other public units. "Political subdivision" includes any subdivision of a public unit or any principal department of such unit (1) the creation of which has been expressly authorized by state statute, (2) to which some functions of government have been allocated by state statute, and (3) to which funds have been allocated by statute or ordinance for its exclusive use and control

Example 1

Question: As Comptroller of Y Consolidated School District, A maintains a $125,(M account in the credit union containing school district funds. He also maintains his own $100,000 member account in the same credit union. What is the insurance coverage?

Answer: The two accounts will be separately insured, assuming the credit union's records indicate that the account containing the school district funds is held by A in a fiduciary capacity. Thus, $100,000 of the school's funds and the entire $100,000 in A's personal account will be insured.

Example 2

Question: A, as city treasurer, and B, as chief of the city police department, each have $100,000 in city funds invested in custodial account. What is the insurance coverage?

Answer: Assuming that both A and B have official custody of the city funds, each account is separately insured to the $100,000 maximum.

Example 3

Question: A is Treasurer of X County and collects certain tax assessments, a portion of which must be paid to the state under statutory requirement. A maintains an account for general funds which belong to the state treasurer. The credit union's records indicate that the separate account contains funds held for the state. What is the insurance coverage?

Answer: Since two public units own the funds held by A, the account would each be separately insured to the $100,000 maximum.

Example 4

Question: A city treasurer invests city funds in each of the following accounts: "General Operating Account School Transportation Fund," Local Maintenance Fund," and "Payroll Fund." By administrative direction the city treasurer has allocated the funds for the use of and control by separate departments of the city. What is the insurance coverage?

Answer: All of the accounts are added together and insured in the aggregate to $100,000. Because the allocation of the city's funds is not by statute or ordinance for the specific use of and control by separate departments of the city, separate insurance the maximum of $100,000 is not afforded to each account,

Example 5

Question: A, the custodian of retirement funds of a military exchange, invests $1,000,000 in an insured credit union. The military exchange, a nonappropriated fund instrumentality of the United States, is deemed to be a public unit. The employees of the exchange are the beneficiaries of the retirement funds but are not members of the credit union. What is the insurance coverage?

Answer: Because A invested the funds on behalf of a public unit, in his capacity as custodian, those funds qualify for $100,000 share insurance even though A and the public unit are not within the credit union's field of membership. Since the beneficiaries are neither public units nor members of the credit union, they arc not entitled to separate share insurance. Therefore, $900,000 is uninsured.

Example 6

Question: A is the custodian of the County's employee retirement funds. He deposits $1,000,000 in retirement funds with the credit union. The "beneficiaries" of the retirement fund are not themselves public units nor are they within the credit union's field of membership. What is the insurance coverage?

Answer: Because A invested the funds on behalf of a public unit, in his capacity as custodian, those funds qualify for $100,000 share insurance even though A and the public unit are not within the credit union's field of membership. Since the beneficiaries are neither public units nor members of the credit union, they are not entitled to separate share insurance. Therefore, $900,000 is uninsured.

Example 7

Question: A county treasurer deposits into an insured credit union $100,000 in each of the following accounts:

"General Operating Fund"
"County Roads Department Fund"
"County Water District Fund"
"County Public Improvement District Fund"
"County Emergency Fund"

What is the insurance coverage?

Answer: The "County Roads Department", "County Water District", and "County Public Improvement District" accounts would each be separately insured to $100,000 if the funds in each such account have been allocated by law for the exclusive use of a separate county department of subdivision expressly authorized by state statute.

Funds in the "General Operating" and "Emergency Fund" accounts would be added together and insured in the aggregate to $100,000, if such funds are for countywide use and not for the exclusive use of any subdivision or principal department of the county, expressly authorized by state statute.

Example 8

Question: A, the custodian of Indian tribal funds, lawfully invests $1,000,000 in an account in an insured credit union on behalf of 15 different tribes; the records of the credit union show that no tribe's interest exceeds $100,000. A, as official custodian, also invests $1,000,000 in the same credit union on behalf of 100 individual Indians, who are not members; each Indian's interest is $10,000. What is the insurance coverage?

Answer: Because each tribe is considered a separate public unit, the custodian of each tribe, even though the same person, is entitled to separate insurance for each tribe. Since the credit union's records indicate no tribe has more than $100,000 in the account, the $1,000,000 would be fully insured as 15 separate tribal accounts. If any one tribe had more than a $100,000 interest in the funds, it would be insured only to $100,000 and any excess would be uninsured.

However, the $1,000,000 invested on behalf of the individual Indians would not be insured since the individual Indians are neither public units nor, in the example, members of the credit union. If A is the custodian of the funds in his capacity as an official of a governmental body that qualified as a public unit, then the account would be insured for $100,000 leaving $900,000 uninsured.

F. JOINT ACCOUNTS

Accounts held under any form of joint ownership valid under state law (whether as joint tenants with right of survivorship, tenants by the entireties, tenants in common, or by husband and wife as community property)are insured up to $100,000. This insurance is separate from that afforded individual accounts held by any of the co-owners.

An account is insured as a joint account only if each of the co-owners has personally executed an account signature card and possesses withdrawal tights.

An account owned jointly which does not qualify as a joint account for insurance purposes is insured as if owned by the named persons as individuals. In that case, the actual ownership interest in the account of each person is added to any other account individually owned by such person and insured up to $100,000 in the aggregate.

Any individual, including a minor, may be a co-owner of a joint account. Although, generally, each co -owner must have signed an account signature card and must have the same fights of withdrawal as other co-owners in order for the account to qualify for separate joint account insurance, there is an exception. If state law limits or restricts a minor's withdrawal right - for example, a minimum age requirement to make a withdrawal - the account will still be insured as a joint account.

All funds invested in joint accounts owned by the same combination of individuals are first added together and insured to the $100,000 maximum. Where a member has an interest in more than one joint account and different joint owners are involved, his interests in all such joint accounts are then added together and insured to $100,000 in the aggregate.

For insurance purposes, the co-owners of any joint account are deemed to have equal interests in the account, except in the case of a tenancy in common. With a tenancy in common, equal interests are presumed unless otherwise stated on the records of credit union.

Example 1

Question: Members A and B maintain an account as joint tenants with right of survivorship(> and, in addition, each holds an individual account. Is each account separately insured?

Answer: If both A and B have executed the signature card and possess withdrawal rights with respect to the joint funds, each account is separately insured to the $100,000 maximum.

Example 2

Question: Members H and W, husband and Wife reside in a community property state. Each holds an individual account and, in addition, they hold a qualifying joint account. The funds in all three accounts consist of community property. Is each account separately insured?

Answer: Yes. An account in the individual name of a spouse will be insured up to $100,000 whether the funds consist of community property or separate property of the spouse. A joint account containing community property is also insured up to $100,000. The community property can be used for individual accounts in the name of each spouse and for a joint account in the name of both spouses, each of which accounts is separately insured up **to $100,000.**

Example 3

Question: Two accounts of $100,000 each are held by a member husband and wife under the following names: John Doe and Mary Doe, husband and wife, as joint tenants with right of survivorship. Mrs. John Doe and John Q. Doe (community property). Are the accounts separately insured?

Answer: No. Both accounts are considered joint accounts owned by the same combination of individuals, regardless of the form of joint ownership. Reversal of names or use of different styles does not change the result, as long as the account owners are in fact the same in both cases. For insurance purposes, the accounts are added together and insured to the maximum of $100,000, leaving $100,000 uninsured.

Example 4

Question: The following accounts are held by members A, B, and C, each of whom has personally executed signature cards for the accounts in which he has an interest' Each co-owner of a joint account possesses the necessary withdrawal rights.

1. A, as an Individual-$100,000
2. B, as an Individual-$100,000
3. C, as an Individual-$100,000
4. A and B, as joint tenants w/r/o survivorship-$90,000
5. A and C, as joint tenants w/r/o survivorship-$90,000
6. B and C, as, joint tenants w/r/o survivorship-$90,000
7. A, B, and C, as joint tenants w/r/o survivorship-$90,000

What is the insurance coverage?

Answer: Accounts numbers 1, 2, and 3 are each separately insured for $100,000 as individual accounts held by A, B, and C, respectively. With regard to account numbers 4, 5, 6, and 7, the respective interests of A, B, and C in such accounts are added together for insurance purposes. The interest of the co-owners of each joint account are deemed equal for insurance purposes. Thus, A has an interest of $45,000 in account No. 4, $45,000 in account No. 5. and $30,000 in account No. 7 for a total joint account interest of $120,000, of which $100,000 is insured. The interest of B and C are similarly insured.

Example 5(a)

Question: A, B, and C hold account as set forth in Example 4. Members A and B are husband and wife; C, their minor child, has failed to sign the signature for account No. 7. In account No. 5, according to the terms of the account C cannot make a withdrawal without As written consent (this is not a limitation imposed under state law). In account No. 6, t signatures of both B and C are required for with drawal A has provided all of the funds for account numbers 5 and 7 and under state law has the entire actual ownership interest in entire two accounts. What is the insurance coverage?

Answer: If any of the co-owners of a joint account have failed to meet any of the joint account require ments, the account i s not insured as a joint account. Instead, the account is insured as if it consisted Of commingled individual accounts of each of the co-owners in accordance with his actual ownership interest in the funds, as determined under applicable state law.

Account No. 5 is not insured as a joint account because C does not have equal withdrawal rights with A. Based on the terms of the account, C can only make a withdrawal if he has A's written consent. Account No. 7 is not insured as a joint account because C did not personally sign the signature card. Therefore, all the funds in Accounts 5 and 7 are treated as individually owned by A and added to A's individual account, account No.1. For insurance e purposes then, A has $280,000 in one individual account that is insured for $100,000, leaving $180,000 uninsured.

Account 6 does qualify as a joint account for insurance purposes since each co-owner has the right to withdraw funds on the same basis. Account 4, remaining joint account, and Account 6 are insured to the $100,000 limit since they are owned by different combinations of individuals and no co-owner has an aggregate interest in the two accounts in excess of $100,000.

Example 5(b)

Question: Assume the same accounts as Example 5(a) except that, on Account No. 5, C's right to make a withdrawal is limited by state law which precludes a minor from making a withdrawal without the co-owner’s written consent. What is the insurance coverage?

Answer: In this situation, Accounts 4, 5, and 6 all qualify as joint accounts and would be fully insured since no co-owner has an aggregate interest in the accounts of more than $100,000. A, B, and C will each have $90,000 of insured funds based on: A’s interest in Accounts 4 ($45,000) and 5 ($45,000), B's interest in Accounts 4 ($45,000) and 6 ($45,000), and C's interest in Accounts 5 ($45,000) and 6 ($45,000). As in Example 5(a), Account No. 7 does not qualify as a joint account and would be added to A's individual account insurance purposes.

Example 6

Question: The following accounts are owned by members A, B, and C, each of whom has personally executed signature cards for the accounts in which he has an interest. Each co-owner possesses withdrawal rights.

1. A, as an individual-$ I 00,000
2. B, as an individual-$100,000
3. A, B, and C, as joint tenants w/r/o survivorship-$100,000
4. A, B, and C, as joint tenants w/r/o survivorship-$200,000
5. A, and B, a joint tenants w/r/o survivorship-$100,000

What is the insurance coverage?

Answer: Account numbers I and 2 are each sepa rately insured for $100,000 as individual accounts held by A and B respectively. With respect to the joint accounts, account numbers 3 and 4 are owned by the same combination of individuals and are added together and insured to a maximum of $100,000, leaving $200,000 uninsured. A, B, and C each have a $33,334 insured interest in accounts 3 and 4. A and B also maintain a joint account, account No. 5. Because C has no interest in this account, if it is owned by a combination of individuals different from account 3 and 4. The interest of A and B in account No. 5 are deemed to be equal. A's $50,000 interest in account *No. 5* is added to his insured interest in account Nos. 3 and 4, giving him a total of $83,334 insurance coverage for his interest in the various joint accounts, in addition to the insurance in the amount of $100,000 provided for his individual account. B's interests in account Nos. 3, 4, and 5 are identical to A's and her interests are insured in a like manner.

G. TRUST ACCOUNTS AND RETIREMENT ACCOUNTS

A trust estate is the interest of a beneficiary in an irrevocable express trust, whether created by trust instrument or statue, that is valid under state law. Thus, I funds invested in an account by a trustee under an irrevocable express trust are insured on the basis of the beneficial interest under such trust. The interest of each beneficiary in an account (or accounts) estab - lished under such a trust arrangement is insured to $100,000 separately from other accounts held by the trustee, the settlor (grantor), or the beneficiary However, in cases where a beneficiary has an interest in more than one trust arrangement created by the same settlor, the interests of the beneficiary in all accounts established under such trusts are added together for insurance purposes, and the beneficiary' s aggregate interest derived from the same settlor is separately insured to the $100,000 maximum.

A beneficiary's interest in an account established pursuant to an irrevocable express trust arrangement is insured separately from other beneficial interests (trust estates) invested in the same account if the value of the beneficiary's interest (trust estate) can be deter mined (as of the date of a credit union's insolvency) without evaluation of contingencies except for those covered by the present worth tables and rules of calculation for their use set forth in Section 20.203 1 I 0 of the Federal Estate Tax Regulations (26 C.F.R. 20-203 1 - I 0). If any trust estates in such an account cannot be so determined, the insurance with respect to all such trust estates together shall not exceed the basic insured amount of $100,000. In order for insurance coverage of trust account to be effective in accordance with the foregoing rules, certain record keeping requirements must be met. In connection with each trust account, the credit union's records must indicate the name of both the settler and the trustee of the trust and must contain an account signature card executed by the trustee indicating the fiduciary capacity of the trustee. In addition, the interests of the beneficiaries under the trust must be ascertainable from the records of either the credit union or the trustee, and the settler or beneficiary must be a member of the credit union. If there are two or more settlors or beneficiaries, then either all the settlors or all the beneficiaries must be members of the credit union.

Although each ascertainable trust estate is separately insured, it should be noted that in short-term trusts the insurable interest or interests may be very small, since the interests are computed only for the duration of the trust. Thus, if a trust is made irrevocable for a specified period of time, the beneficial interest will be calculated in terms of the length of time stated. A reversionary interest retained by the settlor is treated in the same manner as an individual account of the settlor.
As stated, the trust must be valid under local law. A trust which does not meet local requirements, such as one imposing no duties on the trustee or conveying no interest to the beneficiary, is of no effect for insurance purposes. An account in which such funds are invested is considered to be an individual account. An account established pursuant to a revocable trust arrangement is insured as a form of individual account and is treated under Section B, supra, dealing with Testamentary Accounts.

IRA, Keogh, and Deferred Compensation accounts are separately insured, each up to $100,000. Although credit unions may serve as trustees or custodians for self-directed IRA, Keogh, and Deferred Compensation accounts, once the funds are taken out of the credit union, they are no longer insured.

In the case of an employee retirement fund where only a portion of the fund is placed in a credit union account, the amount of insurance available to an individual member/beneficiary on his interest in the account will be in proportion to his interest in the entire employee retirement fund. If, for example, the member's interest represents ten percent of the entire plan funds, then he is presumed to have only a ten percent interest in the plan account. Said another way, if a member has vested interest of $10,000 in a municipal employees retirement plan and the trustee invested 25 percent of the total plan funds in a credit union, the member would be insured for only $2,500 on that credit union account. There is an exception, however. The member would be insured for $10,000 if the trustee can document, through records main tained in the ordinary course of business, that individual beneficiary’s interest are segregated and the total vested interest of the member was, in fact, invested in that account.

Example 1

Question: Member S invests $45,000 in trust for B, the beneficiary. S also has an individual account containing $90,000 in the same credit union. What is the insurance coverage?

Answer: Both accounts are fully insured. The trust account is separately insured from the individual account of S.

Example 2

Question: S invests funds in trust for A, B, C, D, and E. A, B, and C are members of the credit union, D, E, and S are not. What is the insurance coverage?

Answer: This is an uninsurable account. Where there is more than one settlor or more than one beneficiary , all the settlors or all the beneficiaries must be members to establish this type of account. Since D, E and S are not members, this account cannot legally be established or insured.

Example 3

Question: Member S invests $500,000 in trust for ABC Employees Retirement Fund. Some of the beneficiaries are members and some are not. What is the insurance coverage?

Answer: The account is insured as to the determinable interests of each member beneficiary to a maximum of $100,000 per member. Member interests not capable of evaluation and nonmembers’ interests shall be added together and insured to a maximum of $100,000 in the aggregate.

Example 3(a)

Question: Member S is trustee for the ABC Employees Retirement Fund containing $1,000,000. Member A has a determinable interest of $90,000 in the fund (9 percent of the total). S invests $500,000 of the fund in trust in an insured credit union and the remaining $500,000 elsewhere. Some of the beneficiaries of the fund are members of the credit union and some are not. S does not segregate each employee's interest in the fund. What is the insurance coverage?

Answer: The account is insured as to determinable interest of each member beneficiary, adjusted in proportion to the fund's investment in the credit union. A's insured interest in the account is $45,000, or 9 percent of $500,000. This reflects the fact that only 50 percent of the fund is in the account and A's interest in the account is in the same proportion as his interest in the overall plan. Each beneficiary who is a member would be similarly insured. Members' interests not capable of evaluation and nonmembers' interests are added together and insured to a maximum of $100,000 in the aggregate.

Example 4

Question: Member A has an individual account of $100,000 and establishes an IRA and accumulates $50,000 in that account. Subsequently, A becomes self-employed and establishes a Keogh account in the same credit union and accumulates $100,000 in that account. What is the insurance coverage?

Answer: Each of A's accounts would be separately insured for up to $100,000. In the example, A would be fully insured for $250,000.

Example 5

Question: Member A has a self-directed IRA account with $70,000 in it. The FCC is the trustee of the account. Member transfers $40,000 into a blue chip stock; $30,000 remains in the FCU. What is the insurance coverage?

Answer: Originally, the full $70,000 in A's account is insured. The $40,000 is no longer insured once it is moved from the FCU. The $30,000 remaining in the FCU is insured.

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NOTICE

This brochure provides examples of insurance coverage under rules issued by the NCUA Board through-h the National Credit Union Share Insurance Fund (NCUSIF). Since the scope of this brochure is limited, credit union members may wish to contact NCUA for greater detail concerning the technical aspects of insurance coverage. Members or their counsel may also wish to consult the NCUA Rules and Regulations relating to share insurance coverage published in the Code of Federal Regulations (12 C.F.R. 745).

Members are advised that **no** persons may, by representations or interpretations, effect the extent of insurance coverage provided by the Federal Credit Union Act as amended and the rules and regulations for insurance of share accounts.

NATIONAL CREDIT UNION ADMINISTRATION
ALEXANDRIA, VA 22314-3428

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